

CITY OF RENSSELAER, NEW YORK
REGULATORY BASIS FINANCIAL STATEMENTS
JULY 31, 2013

CITY OF RENSSELAER, NEW YORK
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INDEPENDENT AUDITOR'S REPORT

To the Mayor and Members of the
Common Council of the
City of Rensselaer, New York

Report on the Financial Statements

We have audited the accompanying regulatory basis financial statements of the City of Rensselaer, New York (the "City") as of and for the year ended July 31, 2013 as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these regulatory basis financial statements in accordance with accounting principles prescribed by the New York State Office of the State Comptroller. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of regulatory financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these regulatory basis financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the regulatory basis financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1, the City prepared these financial statements using accounting principles prescribed by the New York State Office of the State Comptroller to demonstrate compliance with the State's regulatory basis of accounting, which practices differ from accounting principles generally accepted in the United States of America. The differences between the regulatory basis of accounting and accounting principles generally accepted in the United States of America are described in Note 1 to the financial statements. The effect on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the effects of the matters discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the City of Rensselaer, New York, as of July 31, 2013, and the changes in its financial position for the year then ended. Further, the City of Rensselaer, New York has not presented a management's discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Opinion on Regulatory Basis of Accounting

In our opinion, the regulatory basis financial statements referred to above present fairly, in all material respects, the financial position of the City of Rensselaer, New York as of July 31, 2013, and the results of its operations for the year then ended in accordance with accounting principles prescribed by the New York State Office of State Comptroller.

Other Reporting Required by Government Auditing Standards

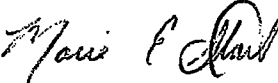
In accordance with *Government Auditing Standards*, we have also issued our report dated April 28, 2014 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control over financial reporting and compliance.

Other Matters

Our audit was made for the purposes of forming an opinion on the regulatory basis financial statements that collectively comprise the City's basic financial statements. The supplemental financial information on pages 6 to 7, 9 to 10 and 12 to 13 is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedule of expenditures of Federal awards is presented for purposes of additional analysis as required by US Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is also not a required part of the basic regulatory basis financial statements. The supplemental financial information and schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the regulatory basis financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion,

the information is fairly stated in all material respects, in relation to the regulatory basis financial statements taken as a whole.

Very truly yours,
STARK & BASILA
Certified Public Accountants, PC


Marie E. Stark, CPA

Dated: April 28, 2014

CITY OF RENSSELAER, NEW YORK
REGULATORY BASIS BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS
JULY 31, 2013

	Governmental Fund Types				Proprietary Business-Type	Fiduciary Fund Types	Account Groups		
	General	Community Development	Capital Projects	Library			General Fixed Assets	General Long-Term Debt	Memorandum Only Totals
ASSETS AND OTHER DEBITS									
ASSETS									
Cash and cash equivalents	\$ 814,943	\$ 656,625	\$ 3,507,913	\$ 66	\$ 648,284	\$ 97,353	\$ -	\$ -	\$ 5,725,184
Receivables:									
Taxes, net of allowance for uncollectible of \$ 580,000	1,326,635	-	-	-	-	-	-	-	1,326,635
Rehabilitation loans, net	-	1,308,889	-	-	-	-	-	-	1,308,889
Accounts Receivable	85,396	-	-	-	1,037,973	-	-	-	1,103,369
Due from other funds	1,008,110	-	1,348,592	3,147	687,941	100,000	-	-	3,147,790
Due from other governments	514,014	-	-	-	30,992	-	-	-	545,006
Fixed Assets	-	-	-	-	-	-	40,683,154	-	40,683,154
	<u>3,729,098</u>	<u>1,965,514</u>	<u>4,856,505</u>	<u>3,213</u>	<u>2,405,190</u>	<u>197,353</u>	<u>40,683,154</u>	<u>-</u>	<u>53,840,027</u>
OTHER DEBITS									
Provision to be made in future budgets	-	-	-	-	-	-	-	7,115,527	7,115,527
Total Assets	<u>\$ 3,729,098</u>	<u>\$ 1,965,514</u>	<u>\$ 4,856,505</u>	<u>\$ 3,213</u>	<u>\$ 2,405,190</u>	<u>\$ 197,353</u>	<u>\$ 40,683,154</u>	<u>\$ 7,115,527</u>	<u>\$ 60,955,554</u>
LIABILITIES AND FUND BALANCES									
LIABILITIES									
Accounts Payable	\$ 544,389	\$ -	\$ 152,519	\$ 1,960	\$ 632,021	\$ -	\$ -	\$ -	\$ 1,330,869
Accrued Liabilities	400,835	20,653	-	-	336,548	-	-	-	758,036
Other Liabilities	5,443	-	67,654	-	976	77,293	-	1,090,927	1,242,293
Bonds Payable	-	-	-	-	-	-	-	6,024,600	6,024,600
Bond Anticipation Notes	-	-	4,310,324	-	-	-	-	-	4,310,324
Due to other funds	966,755	-	1,098,749	604	973,922	107,760	-	-	3,147,790
Due to other governments	49,911	-	-	-	-	-	-	-	49,911
Due to NYS Retirement	637,184	-	-	-	11,059	-	-	-	648,243
Deferred Revenues	756,650	1,308,889	-	-	86,585	-	-	-	2,152,124
Total Liabilities	<u>3,361,147</u>	<u>1,329,542</u>	<u>5,629,246</u>	<u>2,564</u>	<u>2,041,111</u>	<u>185,053</u>	<u>-</u>	<u>7,115,527</u>	<u>19,664,190</u>
OTHER CREDITS									
Investment in general fixed assets	-	-	-	-	-	-	40,683,154	-	40,683,154
FUND BALANCES									
Reserved for:									
Encumbrances	60,296	-	-	-	-	-	-	-	60,296
Unreserved, reported in:									
General Fund	307,655	-	-	-	-	-	-	-	307,655
Proprietary Funds	-	-	-	-	364,079	-	-	-	364,079
Community Development	-	635,972	-	-	-	-	-	-	635,972
Capital Projects	-	-	(772,741)	-	-	-	-	-	(772,741)
Library Fund	-	-	-	649	-	-	-	-	649
Fiduciary Fund	-	-	-	-	-	12,300	-	-	12,300
Total Fund Balances	<u>367,951</u>	<u>635,972</u>	<u>(772,741)</u>	<u>649</u>	<u>364,079</u>	<u>12,300</u>	<u>-</u>	<u>-</u>	<u>608,210</u>
Total Liabilities and Fund Balances	<u>\$ 3,729,098</u>	<u>\$ 1,965,514</u>	<u>\$ 4,856,505</u>	<u>\$ 3,213</u>	<u>\$ 2,405,190</u>	<u>\$ 197,353</u>	<u>\$ 40,683,154</u>	<u>\$ 7,115,527</u>	<u>\$ 60,955,554</u>

See accompanying notes and independent auditor's report.

CITY OF RENSSELAER, NEW YORK
REGULATORY BASIS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND EQUITY
ALL FUND TYPES
FOR THE YEAR ENDED JULY 31, 2013

	Governmental Fund Types				Proprietary Business-Type	Fiduciary Fund Types		Memorandum Only Totals
	General	Community Development	Capital Projects	Library		Expendable Trust	Non-Expendable Trust	
REVENUES								
Taxes	\$ 7,764,116	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,764,116
Licenses and permits	87,771	-	-	-	-	-	-	87,771
Intergovernmental revenues	4,227,430	-	9,047,328	-	-	-	-	13,274,758
Charges for services	995	-	-	4,885	3,024,905	-	-	3,030,785
Fines and forfeitures	104,457	-	-	-	-	-	-	104,457
Use of money and property	14,644	4,529	3,147	3	29,946	429	-	52,698
Other revenue	11,455	-	5,550	8,837	-	-	-	25,842
Total Revenues	<u>12,210,868</u>	<u>4,529</u>	<u>9,056,025</u>	<u>13,725</u>	<u>3,054,851</u>	<u>429</u>	<u>-</u>	<u>24,340,427</u>
EXPENDITURES								
General government	1,407,763	-	-	-	-	-	-	1,407,763
Operations and maintenance	-	-	-	-	2,511,425	-	-	2,511,425
Security of persons and property	4,158,773	-	-	-	-	-	-	4,158,773
Physical environment	2,354,169	-	8,736,703	-	-	-	-	11,090,872
Economic environment	684,186	160,796	-	-	-	-	-	844,982
Culture and recreation	140,581	-	-	104,174	-	-	-	244,755
Employee Benefits	4,047,350	-	-	-	358,288	-	-	4,405,638
Debt service								
Principal	533,419	-	125,000	-	-	-	-	658,419
Interest and debt issue costs	306,557	-	15,000	-	35,000	-	-	356,557
Total Expenditures	<u>13,632,798</u>	<u>160,796</u>	<u>8,876,703</u>	<u>104,174</u>	<u>2,904,713</u>	<u>-</u>	<u>-</u>	<u>25,679,184</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,421,930)</u>	<u>(156,267)</u>	<u>179,322</u>	<u>(90,449)</u>	<u>150,138</u>	<u>429</u>	<u>-</u>	<u>(1,338,757)</u>
OTHER FINANCING SOURCES								
Bond Proceeds	-	-	-	-	-	-	-	-
BANs redeemed from appropriations	-	-	296,619	-	-	-	-	296,619
Transfers in	-	-	261,482	97,984	-	-	-	359,466
Transfers out	(97,984)	-	-	-	(261,482)	-	-	(359,466)
Total other financing sources (uses)	<u>(97,984)</u>	<u>-</u>	<u>558,101</u>	<u>97,984</u>	<u>(261,482)</u>	<u>-</u>	<u>-</u>	<u>296,619</u>
Net change in fund equity	(1,519,914)	(156,267)	737,423	7,535	(111,344)	429	-	(1,042,138)
Fund equity (deficit) - Beginning of year	<u>1,887,865</u>	<u>792,239</u>	<u>(1,510,164)</u>	<u>(6,886)</u>	<u>475,423</u>	<u>6,871</u>	<u>5,000</u>	<u>1,650,348</u>
Fund equity (deficit) - End of year	<u>\$ 367,951</u>	<u>\$ 635,972</u>	<u>\$ (772,741)</u>	<u>\$ 649</u>	<u>\$ 364,079</u>	<u>\$ 7,300</u>	<u>\$ 5,000</u>	<u>\$ 608,210</u>

See accompanying notes and independent auditor's report.

CITY OF RENSSELAER, NEW YORK
REGULATORY BASIS BALANCE SHEET - GOVERNMENTAL FUNDS
JULY 31, 2013

	General Fund	Community Development	Capital Projects	Library Fund	<i>Memorandum Only</i> Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 814,943	\$ 656,625	\$ 3,507,913	\$ 66	\$ 4,979,547
Receivables:					
Taxes, net of allowance for uncollectible of \$ 580,000	1,326,635	-	-	-	1,326,635
Rehabilitation loans, net	-	1,308,889	-	-	1,308,889
Accounts Receivable	65,396	-	-	-	65,396
Due from other funds	1,008,110	-	1,348,592	3,147	2,359,849
Due from other governments	514,014	-	-	-	514,014
Total Assets	\$ 3,729,098	\$ 1,965,514	\$ 4,856,505	\$ 3,213	\$ 10,554,330
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts Payable	\$ 544,369	\$ -	\$ 152,519	\$ 1,960	698,848
Accrued Liabilities	400,835	20,653	-	-	421,488
Other Liabilities	5,443	-	67,654	-	73,098
Bond Anticipation Notes	-	-	4,310,324	-	4,310,324
Due to other funds	966,755	-	1,098,749	604	2,066,108
Due to other governments	49,911	-	-	-	49,911
Due to NYS Retirement	637,184	-	-	-	637,184
Deferred Revenues	756,650	1,308,889	-	-	2,065,539
Total Liabilities	3,361,147	1,329,542	5,629,246	2,564	10,322,499
Fund Balances:					
Reserved for:					
Encumbrances	60,296	-	-	-	60,296
Unreserved, reported in:					
General Fund	307,656	-	-	-	307,656
Community Development	-	635,972	-	-	635,972
Capital Projects	-	-	(772,741)	-	(772,741)
Library Fund	-	-	-	649	649
Total Fund Balances	367,952	635,972	(772,741)	649	231,832
Total Liabilities and Fund Balance	\$ 3,729,099	\$ 1,965,514	\$ 4,856,505	\$ 3,213	\$ 10,554,331

CITY OF RENSSELAER, NEW YORK
REGULATORY BASIS STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND EQUITY
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JULY 31, 2013

	General Fund	Community Development	Capital Projects	Library Fund	<i>Memorandum Only</i> Total Governmental Funds
REVENUES					
Taxes	\$ 7,764,116	\$ -	\$ -	\$ -	\$ 7,764,116
Licenses and permits	87,771	-	-	-	87,771
Intergovernmental revenues	4,227,430	-	9,047,328	-	13,274,758
Charges for services	995	-	-	4,885	5,880
Fines and forfeitures	104,457	-	-	-	104,457
Use of money and property	14,644	4,529	3,147	3	22,323
Other revenue	11,455	-	5,550	8,837	25,842
Total Revenues	<u>12,210,868</u>	<u>4,529</u>	<u>9,056,025</u>	<u>13,725</u>	<u>21,285,147</u>
EXPENDITURES					
General government	1,407,763	-	-	-	1,407,763
Security of persons and property	4,158,773	-	-	-	4,158,773
Physical environment	2,354,169	-	8,738,703	-	11,090,872
Economic environment	684,186	160,796	-	-	844,982
Culture and recreation	140,581	-	-	104,174	244,755
Employee Benefits	4,047,350	-	-	-	4,047,350
Debt service					
Principal	533,419	-	125,000.00	-	658,419
Interest and debt issue costs	306,557	-	15,000.00	-	321,557
Total Expenditures	<u>13,632,798</u>	<u>160,796</u>	<u>8,876,703</u>	<u>104,174</u>	<u>22,774,471</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,421,930)</u>	<u>(156,267)</u>	<u>179,322</u>	<u>(90,449)</u>	<u>(1,489,324)</u>
OTHER FINANCING SOURCES					
Bond Proceeds	-	-	-	-	-
BANs redeemed from appropriations	-	-	296,619	-	296,619
Transfers in	-	-	261,482	97,984	359,466
Transfers out	(97,984)	-	-	-	(97,984)
Total other financing sources (uses)	<u>(97,984)</u>	<u>-</u>	<u>558,101</u>	<u>97,984</u>	<u>558,101</u>
Net change in fund equity (deficit)	(1,519,914)	(156,267)	737,423	7,535	(931,223)
Fund Equity (deficit) - Beginning of year	<u>1,887,865</u>	<u>792,239</u>	<u>(1,510,164)</u>	<u>(6,886)</u>	<u>1,163,054</u>
Fund Equity (deficit) - End of year	<u>\$ 367,951</u>	<u>\$ 635,972</u>	<u>\$ (772,741)</u>	<u>\$ 649</u>	<u>\$ 231,831</u>

CITY OF RENSSELAER, NEW YORK
REGULATORY BASIS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND EQUITY
BUDGET TO ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JULY 31, 2013

	Original Budget FY 2013	Final Budget FY 2013	Actual FY 2013	Variance with Final Budget Positive (Negative)
REVENUES				
Taxes	\$ 8,407,736	\$ 8,407,736	\$ 7,764,116	\$ (643,620)
Licenses and permits	388,500	402,729	87,771	(314,958)
Intergovernmental revenues	4,756,764	4,803,551	4,227,430	(576,121)
Charges for services	2,000	2,000	995	(1,005)
Fines and forfeitures	115,000	115,000	104,457	(10,543)
Investment income	23,000	23,000	14,644	(8,356)
Other revenue	73,000	79,645	11,455	(68,190)
Total Revenues	<u>13,766,000</u>	<u>13,833,661</u>	<u>12,210,868</u>	<u>(1,622,793)</u>
EXPENDITURES				
General government	1,758,486	1,723,865	1,407,763	316,102
Security of persons and property	4,122,403	4,214,361	4,158,773	55,588
Physical environment	2,296,085	2,457,191	2,354,169	103,022
Economic environment	1,177,296	1,162,098	684,186	477,912
Culture and recreation	163,293	174,190	140,581	33,609
Employee Benefits	3,333,383	3,369,559	4,047,350	(677,792)
Debt service				
Principal	533,619	533,619	533,419	200
Interest and debt issue costs	268,451	268,451	306,557	(38,106)
Total Expenditures	<u>13,653,016</u>	<u>13,903,333</u>	<u>13,632,798</u>	<u>270,535</u>
Excess (deficiency) of revenues over (under) expenditures	<u>112,984</u>	<u>(69,672)</u>	<u>(1,421,930)</u>	<u>(1,352,258)</u>
OTHER FINANCING SOURCES				
Transfers in	-	-	-	-
Transfers out	(112,984)	(112,984)	(97,984)	15,000
Total other financing sources (uses)	<u>(112,984)</u>	<u>(112,984)</u>	<u>(97,984)</u>	<u>15,000</u>
Net change in fund equity (deficit)	-	(182,656)	(1,519,914)	(1,337,258)
Fund Equity (deficit) - Beginning of year	<u>1,887,865</u>	<u>1,887,865</u>	<u>1,887,865</u>	-
Fund Equity (deficit) - End of year	<u>\$ 1,887,865</u>	<u>\$ 1,705,209</u>	<u>\$ 367,951</u>	<u>\$ (1,337,258)</u>

CITY OF RENSSELAER, NEW YORK
REGULATORY BASIS BALANCE SHEET
PROPRIETARY FUNDS
JULY 31, 2013

	Business-type Activities Enterprise Funds		
	Solid Waste	Water Fund	Memorandum Only Totals
ASSETS			
Cash and cash equivalents	\$ 7,199	\$ 641,085	\$ 648,284
Accounts Receivable	148,196	889,777	1,037,973
Due from other funds	66,620	621,321	687,941
Due from other government	-	30,992	30,992
Total Assets	\$ 222,015	\$ 2,183,175	\$ 2,405,190
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts Payable	\$ 34,007	\$ 598,014	\$ 632,021
Accrued Liabilities	14,932	321,616	336,548
Other Liabilities	424	552	976
Bond Anticipation Notes	-	-	-
Due to other funds	310,519	663,403	973,922
Due to NYS Retirement	5,699	5,360	11,059
Deferred Revenues	-	86,585	86,585
Total Liabilities	365,581	1,675,530	2,041,111
FUND BALANCE			
Reserved for:			
Encumbrances	-	-	-
Unreserved, reported in:			
Solid Waste	(143,566)		(143,566)
Water Fund		507,645	507,645
Total Fund Balance	(143,566)	507,645	364,079
Total Liabilities and Fund Balance	\$ 222,015	\$ 2,183,175	\$ 2,405,190

CITY OF RENSSELAER, NEW YORK
REGULATORY BASIS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND EQUITY
PROPRIETARY FUNDS
FOR THE YEAR ENDED JULY 31, 2013

	Business-type Activities		
	Enterprise Funds		
	Solid Waste	Water Fund	Memorandum Only Totals
Revenues:			
Charges for services	\$ 659,820	\$ 2,365,085	\$ 3,024,905
Use of money and property	223	29,723	29,946
Total operating revenue	<u>660,043</u>	<u>2,394,808</u>	<u>3,054,851</u>
Expenditures:			
Operations and maintenance	508,691	2,002,734	2,511,425
Employee Benefits	185,536	172,752	358,288
Debt service			
Principal	-	-	-
Interest and debt issue costs	-	35,000	35,000
Total Expenditures	<u>694,227</u>	<u>2,210,486</u>	<u>2,904,713</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(34,184)</u>	<u>184,322</u>	<u>150,138</u>
OTHER FINANCING SOURCES			
Transfers in	-	-	-
Transfers out	-	(261,482)	(261,482)
Total other financing sources (uses)	<u>-</u>	<u>(261,482)</u>	<u>(261,482)</u>
Net change in fund equity	(34,184)	(77,160)	(111,344)
Fund Equity (deficit) - Beginning of year	<u>(109,382)</u>	<u>584,805</u>	<u>475,423</u>
Fund Balances (deficit) - End of year	<u>\$ (143,566)</u>	<u>\$ 507,645</u>	<u>\$ 364,079</u>

CITY OF RENNELAER, NEW YORK
REGULATORY BASIS STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND EQUITY
BUDGET TO ACTUAL
PROPRIETARY FUNDS
FOR THE YEAR ENDED JULY 31, 2013

**Business-Type Activities
Enterprise Funds**

	Solid Waste FY 2013 Budget	Solid Waste Actual	Variance with Final Budget Positive (Negative)	Water Fund FY 2013 Budget	Water Fund Actual	Variance with Final Budget Positive (Negative)
Operating revenues:						
Charges for services	\$ 656,965	\$ 659,820	\$ 2,855	\$ 1,930,125	\$ 2,365,085	\$ 434,960
Use of money and property	35	223	188	34,875	29,723	(5,152)
Total operating revenue	<u>657,000</u>	<u>660,043</u>	<u>3,043</u>	<u>1,965,000</u>	<u>2,394,808</u>	<u>429,808</u>
Operating expenditures:						
Operations and maintenance	479,576	508,691	(29,115)	1,463,977	2,002,734	(538,757)
Employee Benefits	177,424	185,536	(8,112)	162,790	172,752	(9,962)
Debt service						
Principal	-	-	-	350,083	-	350,083
Interest and debt issue costs	-	-	-	64,150	35,000	29,150
Total Expenses	<u>657,000</u>	<u>694,227</u>	<u>(37,227)</u>	<u>2,041,000</u>	<u>2,210,486</u>	<u>(169,486)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>(34,184)</u>	<u>(34,184)</u>	<u>(76,000)</u>	<u>184,322</u>	<u>260,322</u>
OTHER FINANCING SOURCES						
Transfers in	-	-	-	15,000	-	(15,000)
Transfers out	-	-	-	-	(261,482)	(261,482)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,000</u>	<u>(261,482)</u>	<u>(276,482)</u>
Net change in fund equity	-	(34,184)	(34,184)	(61,000)	(77,160)	(16,160)
Fund equity (deficit) - Beginning of year	<u>(109,382)</u>	<u>(109,382)</u>	<u>-</u>	<u>584,805</u>	<u>584,805</u>	<u>-</u>
Fund equity (deficit) - End of year	<u>\$ (109,382)</u>	<u>\$ (143,566)</u>	<u>\$ (34,184)</u>	<u>\$ 523,805</u>	<u>\$ 507,645</u>	<u>\$ (16,160)</u>

See accompanying notes and independent auditor's report.

CITY OF RENSSELAER, NEW YORK
REGULATORY BASIS BALANCE SHEET
FIDUCIARY FUNDS
JULY 31, 2013

	Private Purpose Trusts	Agency Funds	Memorandum Only Totals
ASSETS			
Cash	\$ 12,300	\$ 85,053	97,353
Due from Governmental funds	-	100,000	100,000
Total Assets	<u>\$ 12,300</u>	<u>\$ 185,053</u>	<u>\$ 197,353</u>
LIABILITIES			
Due to other Governmental funds	\$ -	\$ 107,760	\$ 107,760
Custodial Funds	-	77,293	77,293
Total Liabilities	<u>-</u>	<u>185,053</u>	<u>185,053</u>
FUND BALANCE			
Reserved for Library	<u>12,300</u>	<u>-</u>	<u>12,300</u>
Total Liabilities and Fund Balance	<u>\$ 12,300</u>	<u>\$ 185,053</u>	<u>\$ 197,353</u>

See accompanying notes and independent auditor's report.

CITY OF RENSSELAER, NEW YORK
REGULATORY BASIS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND EQUITY
FIDUCIARY FUNDS
JULY 31, 2013

	<u>Private Purpose Trusts</u>
ADDITIONS	
Use of money and property	\$ 429
Total additions	<u>429</u>
DEDUCTIONS	
Library expenditures	<u>-</u>
Total deductions	<u>-</u>
Change in net assets	429
Fund equity (deficit) - beginning of year	<u>11,871</u>
Fund equity (deficit) - end of year	<u>\$ 12,300</u>

See accompanying notes and independent auditor's report.

CITY OF RENSSELAER, NEW YORK
NOTES TO REGULATORY BASIS FINANCIAL STATEMENTS
JULY 31, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Rensselaer, New York (the "City") have been prepared in conformity with accounting principles prescribed by the New York State Office of the State Comptroller for complying with Article 3, Section 30 of the General Municipal Law in which every municipal corporation is required to make an annual financial report. The most significant difference between this regulatory basis of accounting and generally accepted accounting principles ("GAAP") is that Government Accounting Standards Board ("GASB") Statements 34 and 45 "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments" and "Accounting and Financial Reporting by Employers for Post employment Benefits other than Pensions" need not be implemented to meet the requirements of General Municipal Law. GASB 34 and 45 require significant changes including:

- Government-Wide Reporting
- Focus on Major Funds
- Changes in Budgetary Reporting
- Full Accrual Accounting Including Depreciation
- Management Discussion and Analysis
- Capitalization of Infrastructure Assets
- Actuarial Valuation and Accrual Recognition of Post employment Benefits Expenditures and Related Liabilities

Management has considered the costs and benefits of adopting GASB 34 and 45 and determined that auditing the financial statements utilizing another comprehensive basis of accounting as opposed to GAAP makes fiscal sense for the City.

A. Financial Reporting Entity

The City was incorporated in 1897 and is governed by a charter, General Laws of the State of New York, and various local laws and ordinances. The Common Council is the legislative body responsible for the overall operation of the City. The City provides general government support, police and fire protection, garbage collection, water services, a public library, and recreation services.

GASB Statement No. 61 defines the financial reporting entity for the City to include all funds, account groups, agencies, boards, commissions, and authorities where the elected officials (the Mayor and/or the Council, respectively) are financially accountable and for which a financial benefit or burden relationship exists. The following terms are used to describe the components of a reporting entity:

- Primary Government
A legally separate state, general purpose local or special purpose government with a separately elected governing body. It must be fiscally independent of other primary governments.
- Component Unit
A legally separate organization for which the elected officials are financially accountable. Also the primary government is able to impose its will on the component unit or there is a potential for the component unit to provide a financial benefit or incur a financial burden on the primary government.

CITY OF RENSSELAER, NEW YORK
NOTES TO REGULATORY BASIS FINANCIAL STATEMENTS
JULY 31, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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CITY OF RENSSELAER, NEW YORK
NOTES TO REGULATORY BASIS FINANCIAL STATEMENTS
JULY 31, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

A. Financial Reporting Entity - Continued

In accordance with accounting principles prescribed by the New York State Office of the State Comptroller, only the primary government is presented in these financial statements.

Excluded from the Financial Reporting Entity

The City of Rensselaer Industrial Development Agency (Agency) is a public benefit corporation created by state legislation to promote the economic welfare and prosperity of the inhabitants of the City. Members of the Agency are appointed by the City's Common Council that exercises no oversight responsibilities. The Agency members have complete responsibility for management of the Agency and accountability for fiscal matters. The City is not liable for Agency Bonds or notes. The Agency obtains a separate audit apart from city operations.

The Rensselaer City School District (School District) was created by state legislation, which designates the School Board as the governing authority. The public elects the School Board members. The School Board designates management and exercises complete responsibility for all fiscal matters. The City Council exercises no oversight concerning school operations.

The Rensselaer Housing Authority (Authority) was established by the New York State Legislature. The Governing Board of the Authority is made up of five members who are appointed by the Mayor. The City provides no subsidy to the Authority, nor is it responsible for the debt or operating deficits of the Authority.

Authority's debt is essentially supported by operating revenues of the Authority and is not guaranteed by the City. The City does not appoint management of the Authority nor does it approve the Authority's budget, contracts, or hiring of staff. The City has no oversight responsibility for the funds of the Authority.

B. Basis of Presentation - Fund Accounting

The accounts of the City are organized on the basis of funds or account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for within a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses. Governmental resources are allocated to and accounted for in individual funds based upon the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions and limitations.

The various funds are grouped in the financial statements in the following fund types and account groups:

Governmental Fund Types

Governmental funds are those in which most governmental functions of the City are reported. The acquisition, use, and balances of the City's expendable financial resources and the related liabilities are accounted for through the governmental funds. The measurement focus is upon determination of financial position, rather than upon determination of net income. The following are the City's governmental fund types:

See independent auditor's report.

CITY OF RENSSELAER, NEW YORK
NOTES TO REGULATORY BASIS FINANCIAL STATEMENTS
JULY 31, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

B. Basis of Presentation - Fund Accounting - Continued

General Fund – The general fund is the primary operating fund of the City and is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds – Special revenue funds are used to account for all general federal funds received in the form of community development grants and rental rehabilitation programs. As certain other receivables are collected, the related portion of deferred revenue is recognized as revenue.

Capital Projects Fund – The capital projects fund accounts for and reports financial resources to be used for the acquisition, construction or renovation of major capital facilities or equipment.

Public Library Fund – used to account for the operations of a public library established and supported by taxes pursuant to Education Law, Section 259.

Proprietary Funds – Used to account for resources in the same manner as a privately owned commercial business.

- Water Fund – established by law to account for revenues and expenditures for the purpose of providing water to the City.
- Solid Waste Fund – established by law to account for revenues and expenditures for the purpose of providing refuse and trash collection to the City.

Fiduciary Fund Types

Fiduciary Funds account for assets held by the City as an agent for individuals, private organizations, other governmental units and/or other funds.

Trust and Agency Funds – used to account for money received and held in the capacity of trustee, custodian, or agent.

Expendable Trust Fund – used to account for the earnings of the Non-Expendable Trust Fund.

Non-Expendable Trust Fund – an estate gift given to the City for the benefit of the Library.

Account Groups

Account Groups are used to establish accounting control and accountability for general fixed assets and general long-term debt. The two account groups are not “funds”. They are concerned only with the measurement of financial position. They are not involved with measurement of results of operations.

General Long-Term Debt Account Group – This account group is used to record all long-term obligations of the City, such as bonds, compensated absences and other long-term debt.

CITY OF RENSSELAER, NEW YORK
NOTES TO REGULATORY BASIS FINANCIAL STATEMENTS
JULY 31, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

B. Basis of Presentation - Fund Accounting - Continued

Account Groups (Continued)

General Fixed Assets Account Group – This account group is used to account for land, buildings, and equipment utilized for general government purposes.

C. Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus.

All governmental funds and expendable trust funds are accounted for on the modified accrual basis using current financial resources measurement focus. With this measurement focus, generally only current assets and current liabilities are included on the balance sheet. Operating statements of these funds present increases (i.e. revenues and other financing sources) and decreases (i.e. expenditures and other financial uses) in net current assets.

The modified accrual basis of accounting is used by all governmental fund types, expendable trust funds, and agency funds. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e. when they become both measurable and available).

“Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The City considers property taxes available if they are collected within 60 days after year-end. A 120-day availability period is used for revenue recognition for all other governmental fund type revenues. Expenditures are recorded when the related liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due. Those revenues susceptible to accrual are property taxes, state and federal aid, sales tax, interest revenue, and charges for services. Fines, permits, and parking meter revenues are not susceptible to accrual because, generally, they are not measurable until received.

The City reports deferred revenue on its combined balance sheet. Deferred Revenues arise when potential revenue does not meet both the “measurable” and “available” criteria for recognition in the current period. Deferred revenues also arise when resources are received by the government before it has legal claim to them, as when grant monies are received prior to the occurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

Expenditures are recorded when the fund liability is incurred except that:

- Expenditures for prepaid expenses and inventory type items are recognized when paid.
- Principal and interest on indebtedness are not recognized as expenditures until paid.
- Compensated absences are recognized as expenditures when paid.

CITY OF RENSSELAER, NEW YORK
NOTES TO REGULATORY BASIS FINANCIAL STATEMENTS
JULY 31, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

C. Basis of Accounting - Continued

In applying the susceptible-to-accrual concept to State and Federal Aid, the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of these revenues. In one, monies must be expended on the specific purpose or project before any amounts will be paid to the City; therefore, revenues are recognized based upon the expenditures recorded. In the other, monies are virtually unrestricted as to purpose of expenditure and are usually revocable only for failure to comply with prescribed compliance requirements. These revenues are generally reflected as revenues at the time of receipt.

The primary non-property tax item is sales tax which is recorded as revenue in the general fund when it is received by the State and available for distribution to the City. Other revenues are recorded when received in cash because they are generally not measurable until actually received.

D. Budgetary Data

The City's procedures for establishing the budgetary data reflected in the accompanying general-purpose financial statements are as follows:

- a. No later than June 1, the budget officer submits a tentative budget to the Common Council for the fiscal year commencing the following August 1. The tentative budget includes proposed expenditures and the proposed means of financing for all funds.
- b. After public hearings are conducted to obtain taxpayer comments, no later than June 30, the Common Council adopts the budget.
- c. All modifications of the budget must be approved by the Common Council.

E. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriations, is employed in the governmental funds. Open encumbrances at year-end are reported as reservations of fund balances since the commitments do not constitute expenditures or liabilities. Open encumbrances, after review by the Common Council, are added to the subsequent year's budget to provide the modified budget presented in the combined general purpose financial statements. Expenditures for such commitments are recorded in the period in which the liability is incurred.

CITY OF RENSSELAER, NEW YORK
NOTES TO REGULATORY BASIS FINANCIAL STATEMENTS
JULY 31, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

F. Cash and Cash Equivalents

The City's investment policies are governed by State statutes. City monies are deposited in banks or trust companies located and authorized to do business in New York State. The City is authorized to use demand accounts and invest in special time deposits and certificates of deposits. Permissible investments also include obligations of the U.S. Treasury and U.S. agencies where principal and interest are guaranteed by the United States of America and obligations of New York State or, with permission of the State Comptroller, in revenue and tax anticipation notes of New York State municipalities, school districts, public authorities, and district corporations.

Collateral is required for special time deposits and certificates of deposit not covered by federal deposit insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies, where principal and interest are guaranteed, and obligations of New York State and its municipalities, school districts, public authorities, and housing authorities.

Cash and cash equivalents include amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the City.

G. Accounts Receivable

Accounts receivable in the Proprietary Funds represent water rents receivable and refuse and garbage receivables that are relieved on the City tax roll on August 1. Therefore, management does not believe it is necessary to establish an allowance for doubtful accounts.

The City has established an allowance for doubtful accounts based on collection history and a review of accounts by management for the rehabilitation loan receivable. The allowance for doubtful accounts was \$75,000 at July 31, 2013.

H. Short-term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for the goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the combined balance sheet.

I. General Fixed Assets

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected in governmental funds, and the related assets are reported in the general Fixed Assets Account Group.

Accounting principles generally accepted in the United States of America require that all purchased fixed assets be valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated fixed assets are valued at their fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

CITY OF RENSSELAER, NEW YORK
NOTES TO REGULATORY BASIS FINANCIAL STATEMENTS
JULY 31, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

I. General Fixed Assets - Continued

Public domain (infrastructure) general fixed assets consisting of roads, bridges, curbs and gutter, streets and sidewalks, drainage systems, and lighting systems are not capitalized, as these assets are immovable and have value only to the city.

Assets in the General Fixed Assets Account Group are not depreciated nor has interest on general fixed asset construction in progress been capitalized.

J. Compensated Absences

City employees are granted vacation and sick leave and earn compensatory absences in varying amounts. In the event of termination or upon retirement, an employee is entitled to payment for accumulated vacation and sick leave and unused compensatory absences at various rates subject to certain maximum limitations. The liability for accumulated vacation and related benefits has been recorded in the respective governmental fund type in accordance with GASB 16. Payment of vacation and sick leave recorded in the general Long-Term Debt Account Group is dependent upon many factors; therefore, timing of future payments is not readily determinable. However, management believes that sufficient resources will be made available for the payments of vacation and sick leave and compensatory absences when such payment becomes due.

K. Post Employment Benefits

In addition to providing retirement benefits, the City provides post employment health insurance coverage and survivor benefits to its retired employees and their survivors in accordance with the provisions of the employment contracts negotiated between the City and its employee groups. Substantially all of the City's employees may become eligible for these benefits if they reach normal retirement age while working for the City. Health care benefits and survivors benefits are provided through an insurance company. Premiums are based on the benefits paid during the year. The City recognized the cost of providing benefits for the year ended July 31, 2013 by recording its costs for the benefits for 60 currently enrolled retirees and family members as an expenditure during the year. The net amount of this expenditure totaled \$705,033.

L. Total Columns

Total columns in the regulatory basis financial statements are captioned *Memorandum Only* to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations in conformity with accounting principles prescribed by the New York State Office of State Comptroller, nor is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

M. Subsequent Events

Management has evaluated subsequent events or transactions as to potential material impact on operations or financial position occurring through April 28, 2014, the date the financial statements were available to be issued. No such events or transactions were noted.

CITY OF RENSSELAER, NEW YORK
NOTES TO REGULATORY BASIS FINANCIAL STATEMENTS
JULY 31, 2013

NOTE 2 – CASH AND CASH EQUIVALENTS

New York State statutes require the City to collateralize its cash and cash equivalents in excess of the Federal Deposit Insurance Corporation limit of \$500,000 (\$250,000 on checking and \$250,000 on time deposits and other cash accounts). This collateral is to be in the form of state and local government securities held in trust for and pledged to secure the City's cash and cash equivalents. The City's cash and cash equivalents were adequately insured or collateralized as of July 31 2013.

NOTE 3 – PROPERTY TAXES

The City Council adopts the budget for the ensuing fiscal year not later than June 30th of each year. Real property taxes for the City's purposes are levied and become a lien on August 1st. All taxes levied on property within the City are collected by the City Treasurer for 30 days, after August 1st, without penalty or interest. After such 30-day period, interest and penalty are added as appropriate and collection continues until July 15th. The City enforces its own taxes via a tax sale performed in mid-July.

The City has established an allowance for doubtful accounts based on collection history and a review of accounts by management. Allowance for doubtful accounts was \$580,000 at July 31, 2013.

In addition to the City tax levy, the City is responsible for collecting the School District's taxes levied on property within the City. The City remits school tax collections to the School District throughout the year and has until the end of the following fiscal year to reimburse the School District for taxes uncollected at July 31 of the current fiscal year.

NOTE 4 – INTERFUND RECEIVABLES AND PAYABLES

A summary of Interfund receivables and payables at July 31, 2013, is as follows:

<u>Fund</u>	<u>Interfund</u>		<u>Interfund</u>	
	<u>Receivable</u>	<u>Payable</u>	<u>Revenues</u>	<u>Expenditures</u>
General Fund	\$1,008,110	\$966,755	\$0	\$97,984
Community Development Fund	0	0	0	0
Solid Waste Fund	66,620	310,519	0	0
Water Fund	621,321	663,403	0	261,482
Capital Projects Fund	1,348,592	1,098,749	261,482	0
Library Fund	3,147	604	97,984	0
Trust & Agency Fund	100,000	107,760	0	0
Totals	\$3,147,790	\$3,147,790	\$359,466	\$359,466

CITY OF RENSSELAER, NEW YORK
NOTES TO REGULATORY BASIS FINANCIAL STATEMENTS
JULY 31, 2013

NOTE 5 – REHABILITATION LOANS RECEIVABLE

The City has loaned monies to various companies and individuals under United States Department of Housing and Urban Development programs. The total commercial and residential loans receivable is \$1,383,889 at July 31, 2013.

The City has established an allowance for doubtful accounts based on a review of loan payment histories and judgments that have been filed. The allowance for doubtful accounts was \$75,000 at July 31, 2013.

NOTE 6 – FIXED ASSETS

A summary of changes in the general Fixed Assets Account Group is as follows:

	Balance August 1, 2012	Additions	Disposals	Balance July 31, 2013
Land	\$ 638,704	\$ -0-	\$ -0-	\$ 638,704
Buildings	7,534,021	-0-	-0-	7,534,021
Infrastructure	15,777,468	8,797,774	-0-	24,575,242
Equipment	7,935,187	-0-	-0-	7,935,187
Total	<u>\$ 31,885,380</u>	<u>\$8,797,774</u>	<u>-0-</u>	<u>\$ 40,683,154</u>

NOTE 7 – NOTES PAYABLE

The City may issue Revenue Anticipation Notes (RANs) in anticipation of the receipt of revenues. These notes are recorded as a liability of the fund that will actually receive the proceeds from the issuance of the notes. The RANs represent a liability that will be extinguished by the use of expendable, available resources of the fund.

Liabilities for Bond Anticipation Notes (BANs) relating to capital assets are generally accounted for in the Capital Projects Fund. BANs must be renewed annually.

State law requires that BANs issued for capital purposes be converted into long-term obligations within five years after the original issue date. However, BANs issued for assessable improvement projects may be renewed for a period equivalent to the maximum life of the permanent financing, provided that stipulated annual reductions of principal are made.

Currently, amortization of BANs is funded through operating transfers from the General Fund, Solid Waste Fund and Water Fund. This is the procedure presently in place for funding the undesignated deficit fund balance in the Capital Projects Fund.

The following is an analysis of BANs and RANs outstanding at July 31, 2013:

See independent auditor's report.

CITY OF RENSSELAER, NEW YORK
NOTES TO REGULATORY BASIS FINANCIAL STATEMENTS
JULY 31, 2013

NOTE 7 – NOTES PAYABLE – Continued

	<u>Amount</u>	<u>Rate</u>	<u>Maturity</u>
<u>BANs and RANs</u>			
Court House	\$112,500	1.34	11/15/13
City Hall Roof	161,255	1.48	10/25/13
Falcon Chase Drainage	16,000	1.48	03/28/14
Heating Units – City Hall Roof	12,575	1.48	03/28/14
Salt Shed	145,000	1.34	11/15/13
Broadway	650,000	1.48	01/31/14
Various Purpose	281,500	1.44	05/30/14
Broadway DOT	2,000,000	1.48	01/31/14
CWSFF Short-Term	931,494	0.00	09/29/14
BANs and RANs outstanding at July 31, 2013	<u>\$4,310,324</u>		

NOTE 8 – LONG-TERM DEBT

General Long-Term Debt Account Group

A summary of the transactions in the General Long-Term Debt Account Group is as follows:

	<u>Balance August 1, 2012</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance July 31, 2013</u>
Serial Bonds	\$6,386,400	\$ -	\$ 361,800	\$6,024,600
Compensated absences	1,102,631	-	11,704	1,090,927
	<u>\$7,489,031</u>	<u>\$ -</u>	<u>\$373,504</u>	<u>\$7,115,527</u>

The following is a summary and description of the serial bonds outstanding at July 31, 2013:

<u>Issue Date</u>	<u>Original Issue</u>	<u>Maturity</u>	<u>Interest Rate</u>	<u>Outstanding at July 31, 2013</u>
7/22/09	\$ 270,000	7/20/14	4.54%	\$ 54,000
4/01/10	389,000	4/01/15	4.52%	155,600
6/22/10	3,008,500	4/01/25	3.50%	2,500,000
04/05/11	3,435,000	4/01/40	4.75%	3,315,000
				<u>\$6,024,600</u>

Following is a summary of maturity of debt service requirements for general obligation bonds:

<u>Years</u>	<u>Principal</u>	<u>Interest</u>
7/30/14	\$ 366,800	\$ 254,448
7/30/15	317,800	239,442
7/30/16	250,000	226,713
7/30/17	250,000	216,400
7/30/18	250,000	206,556
Thereafter	<u>4,590,000</u>	<u>2,150,989</u>
	<u>\$6,024,600</u>	<u>\$3,294,548</u>

See independent auditor's report.

CITY OF RENSSELAER, NEW YORK
NOTES TO REGULATORY BASIS FINANCIAL STATEMENTS
JULY 31, 2013

NOTE 9 – PENSION PLANS

Pension Plan

a. Plan Description

The City participates in the New York State and Local Employee's Retirement System (ERS), the New York State Local Police and Fire Retirement System (PFRS) and the Public Employees' Group Life Insurance Plan (Systems).

These are cost-sharing multiple-employer retirement systems. The Systems provide retirement benefits as well as death and disability benefits. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law (NYSRSSL). As set forth in the NYSRSSL, the Comptroller of the State of New York (Comptroller) serves as sole trustee and administrative head of the Systems. The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of the Systems and for the custody and control of their funds. The Systems issue a publicly available financial report that includes financial statements and requires supplementary information. That report may be obtained by writing to the New York State and Local Retirement Systems, 110 State Street, Albany, New York 12244.

b. Funding Policy

The Systems are noncontributory except for employees who joined the New York State and Local Employees' Retirement System after July 27, 1976, who contribute 3% of their salary for the first ten years of service credit and employees who joined after January 1, 2010 who generally contribute 35 of their salary for the entire length of service. Under the authority of the NYSRSSL, the Comptroller shall certify annually the rates expressed as proportions of payroll of members, which shall be used in computing the contributions required to be made by employers to the pension accumulation fund. The City is required to contribute at an actuarially determined rate. The required contributions for the current year and two preceding years were:

	<u>ERS</u>	<u>PFRS</u>
2013	\$494,175	\$ 886,538
2012	\$463,451	\$ 825,380
2011	\$363,413	\$ 528,359

Chapter 260 of the Laws of New York State changed the annual payment due date for employers who participate in the New York State and Local Employees' Retirement System. The December 15 payment due date changed to February 1, however, employers were allowed to prepay their payment by December 15. The covered salary period (April 1 – March 31) will not change for the calculation.

NOTE 10 – STEWARDSHIP, COMPLIANCE, ACCOUNTABILITY

At July 31, 2013 the Capital Projects Fund had a deficit fund balance of \$772,741. The deficit is attributable to projects, which have been financed utilizing short-term bond anticipation notes. The proceeds of short-term debt are not recognized as revenue, but as fund liability, in accordance with the New York State Uniform System of Accounts, and merely serve to provide cash to meet

CITY OF RENSSELAER, NEW YORK
NOTES TO REGULATORY BASIS FINANCIAL STATEMENTS
JULY 31, 2013

NOTE 10 – STEWARDSHIP, COMPLIANCE, ACCOUNTABILITY - Continued

expenditures. The expenditure of these proceeds has resulted in a deficit fund balance until such time that expenditure reimbursement for certain projects are obtained or permanent financing in the form of bonds is secured. In the past, it has been the City's policy to repay short-term borrowings from the City's operating budget.

At July 31, 2013 the Solid Waste Fund had a deficit fund balance of \$143,566.

NOTE 11 – COMMITMENTS AND CONTIGENCIES

Judgments and Claims

There are numerous tax certiorari cases pending against the City. The ultimate outcome of these cases is not presently determinable.

There are numerous notices of claim and asserted claims pending against the City. The ultimate outcome of these claims is not presently determinable. The City is of the opinion that any liability or loss in excess of insurance coverage resulting from such notices and asserted claims will not have a material adverse effect on the City's general-purpose financial statements.

Grant Programs

The City has received federal grants, which are subject to audit by agencies of the state and federal governments. Such audits may result in disallowances and a request for return of funds to the federal and state governments. Based on prior audits, the City's administration believes disallowances, if any, will be immaterial.

Environmental Concerns

The City is engaged in many activities (e.g. water and sewer service, refuse collection), in the normal course of operations, that are potentially hazardous to the environment. As of July 31, 2013 the City is not aware of any significant environmental problems that should be disclosed in the financial statements.

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Bryan T. Basila, C.P.A.
basila@wsbcpas.net



STARK & BASILA
Certified Public Accountants, P.C.

132 Mohawk Street
PO Box 260
Cohoes, New York
12047

**Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements Performed in Accordance
With *Government Auditing Standards***

To the Mayor and Members
of the Common Council of the
City of Rensselaer, New York

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the City of Rensselaer, New York, as of and for the year ended July 31, 2013, and the related notes to the financial statements, and have issued our report thereon dated April 28, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Rensselaer, New York's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Rensselaer, New York's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Rensselaer, New York's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City of Rensselaer, New York's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Rensselaer, New York's financial statements are free from misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on

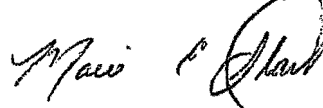
compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the City of Rensselaer, New York in a separate letter dated April 28, 2014

Purpose of this Report.

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Rensselaer, New York's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Very truly yours,
STARK & BASILA
Certified Public Accountants, PC

A handwritten signature in cursive script, appearing to read "Marie E. Stark", is written over a circular embossed or stamped seal.

MARIE E. STARK, CPA

Cohoes, New York
Dated: April 28, 2014

Marie E. Stark, C.P.A.
mstark@wsbcpas.net

Bryan T. Basila, C.P.A.
basila@wsbcpas.net



STARK & BASILA
Certified Public Accountants, P.C.

132 Mohawk Street
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12047

**Independent Auditor's Report on Compliance for Each Major Program and Internal Control
Over Compliance Required by OMB Circular A-133**

To the Mayor and Members of the
Common Council of the
City of Rensselaer, New York

Report on Compliance for Each Major Federal Program

We have audited the City of Rensselaer, New York's compliance with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of the City of Rensselaer, New York's major federal programs for the year ended July 31, 2013. The City of Rensselaer, New York's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

The City of Rensselaer, New York's management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Rensselaer, New York's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Rensselaer, New York's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of City of Rensselaer, New York's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Rensselaer, New York complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended July 31, 2013.

Report on Internal Control Over Compliance

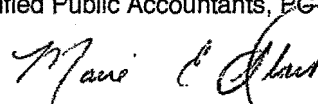
Management of the City of Rensselaer, New York is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning

and performing our audit of compliance, we considered the City of Rensselaer, New York's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Rensselaer, New York's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Very truly yours,
STARK & BASILA
Certified Public Accountants, PC

MARIE E. STARK, CPA

Cohoes, New York
Dated: April 28, 2014

CITY OF RENSSELAER, NEW YORK
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JULY 31, 2013

Federal Grantor/ Pass-Through Grantor/ <u>Program or Cluster Title</u>	Federal CFDA <u>Number</u>	Federal <u>Expenditures</u>
U.S. Department of Transportation/ New York State Department of Transportation/ Highway Planning and Construction	20.205	<u>7,698,165</u> <u>7,698,165</u>
Total Expenditures of Federal Awards		<u>\$ 7,698,165</u>

See independent auditor's report.

CITY OF RENSSELAER, NEW YORK
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JULY 31, 2013

NOTE A – BASIS OF PRESENTATION

1. General

The accompanying Schedule of Expenditures of Federal Awards presents all federal award programs of the City of Rensselaer, New York (City) for the year ended July 31, 2013. The significant accounting policies of the City are defined in Note 1 of the notes to the financial statements. Federal Awards received directly from the federal agencies as well as federal awards passed through other government agencies are included on the Schedule of Expenditures of Federal Awards.

2. Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting used by the City in reporting these programs to the federal government.

3. Relationship to the Financial Statements

Federal awards revenues are reported in the City's financial statements as intergovernmental revenues. The City's financial statements are presented using the accrual basis.

NOTE B – NON-CASH ASSISTANCE

The City had no federal awards expended in the form of non-cash assistance during the year ended July 31, 2013.

NOTE C – LOANS AND LOAN GUARANTEES

The City had no federal awards expended that represented loans or loan guarantees during the year ended July 31, 2013.

NOTE D – INSURANCE

The City did not participate in any federal insurance programs during the year ended July 31, 2013.

NOTE E – SUB RECIPIENTS

The City did not provide any federal funds to sub recipients during the year ended July 31, 2013.

CITY OF RENSSELAER, NEW YORK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JULY 31, 2013

Section I - Summary of Independent Auditor's Results (July 31, 2013)

Financial Statements

Type of Auditor's Report Issued: Qualified

Internal Control over Financial Reporting:

- Material weakness(es) identified? X Yes ___ No
- Deficiency(ies) identified that are not considered to be material weaknesses: ___ Yes X No

Noncompliance material to financial statements noted? ___ Yes X No

Federal Awards

Internal control over major programs:

- Material weaknesses identified? ___ Yes X No
- Deficiency(ies) identified that are not considered to be material weaknesses? ___ Yes X No

Type of Auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? ___ Yes X No

Identification of major programs:

All programs - see schedule of Expenditures of Federal Awards for details on programs.

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low risk auditee? X Yes ___ No

CITY OF RENNELAER, NEW YORK
SCHEDULE OF CURRENT AND PRIOR AUDIT FINDINGS
JULY 31, 2013

Section II – Financial Statement Findings – July 31, 2013

A. Deficiencies in Internal Control

Material Weakness

Condition: The City does not have in place an adequate system of internal controls over financial reporting. Monthly reconciliations of all critical accounts are not performed and there is no supervision over the quality of accounting and financial reporting.

Criteria: Sound internal controls over financial reporting ensure that all of the City's financial records, processes, and financial operations are done in compliance with sound public accounting principles with acceptable auditing and accounting standards and business practices.

Effect: The City's failure to adopt and follow sound internal controls over financial reporting could allow an accumulation of immaterial misstatements to occur, sum total of which could cause a material misstatement within its financial reporting to remain undetected.

Recommendation: The City should develop a system of internal controls that ensures their financial responsibility, integrity and sound fiscal management.

Management's Response: The Mayor and Members of the Common Council concur with the findings and recommendations and are exploring options to rectify this situation.

Section II – Financial Statement Findings – July 31, 2012

A. Deficiencies in Internal Control

Material Weakness

Condition: The City does not have in place an adequate system of internal controls over financial reporting. Monthly reconciliations of all critical accounts are not performed and there is no supervision over the quality of accounting and financial reporting.

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Recommendation: The City should develop a system of internal controls that ensures their financial responsibility, integrity and sound fiscal management.

Management's Response: The Mayor and Members of the Common Council concur with the findings and recommendations and are exploring options to rectify this situation.